CONCORDIA UNIVERSITY

BOARD OF GOVERNORS

CONCORDIA EMPLOYEE BENEFITS COMMITTEE

Minutes of the Meeting held Friday, November 23, 1984

ATTENDANCE: Mr. R.L. Grassby, Chairman, Prof. L. Bessner, Ms. A. Kerby, Dr. H. Ladd, Prof. G. Martin, Mr. B. Smart, Miss S. O'Reilly, Miss D. Johnson, Mr. L. Perkins and Ms. E. Gardham.

REGRETS: Mr. M. Bourgault, and Mr. R.K. Groome

CONSULTANTS: Mr. L. Dixon and Mr. J. Lefebvre of William M. Mercer Ltd.

The meeting was called to order at 12:10. The Chairman noted that Item 1 on the agenda was scratched because the minutes are not yet available.

Health Insurance, Mr. Liam Dixon, Mercers:

Mr. Dixon presented a report on the Health Insurance plan starting with the financial results. The concept from a financial point of view is; premiums are paid to the insurer and from these funds are deducted: a) paid claims (b) insurers administrative expenses and (c) reserves for incurred but not reported claims, plus or minus interest on the surplus or deficit in the account.

Surpluses will first be transferred to a stabilization reserve held by the insurer which is in the order of 20% of the premium. Interest is credited on all reserves held and the stabilization reserves will be fully accounted for by the insurer in the event of a cancellation.

Large increases in premiums have been required because of the increased claims volume and the increased cost of insured services. Despite the magnitude of the increases, the rates themselves are reasonable. Last year there was a surplus at year end; the first in seven (7) years.

The deficit is larger than we would like it to be but we did not expect to be able to bring it down as quickly as we have. Confederation Life would also like to see the deficit reduced but more on that later.

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Health Insurance - con't:

The number of insured employees has not changed appreciably but claims paid have almost doubled. The charge per claim has gone up from $114. to $193. This is due to increased hospital charges, more claims for mental and nervous disorders as well as psychological disorders. Although the average number of claims per employee has gone down the average cost of claims submitted by employees has increased from $69. in 1980 to $129. in 1984. In addition, members are submitting claims immediately after incurring expenses rather than waiting until year end.

The projected increase for 1985 is 15½% of which 8.8% is required just to break even for the year. In addition a margin of 6.7% is required for deficit recovery which is not unreasonable considering the magnitude of the deficit and current market conditions.

Mr. Smart asked the following questions:

a) Is there some form of claims control? Does the insurer accept or reject a claim if there is a problem and is there some way of monitoring claims more carefully?

b) Assuming there is a trend for expenses to increase is the projected increase realistic?

c) What interest rate assumption was made for next year on the deficit?

Mr. Dixon replied that the method of claims payment at Concordia is different than that used in industry in that employees submit their claims directly to the insurer. Confederation Life has a good reputation for claims control. There could be a control factor related to employer scrutiny of expenses being submitted.

Premium rates are set each year based upon the prior year's claim experience, adjusted for projections of inflation and/or increased utilization. The trends have been monitored very carefully by the insurers and Confederation's projection is reasonable given the current trends.

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Health Insurance - con't:

The interest rate applied to the deficit will be a blend of T-bill rates and new money rates in effect at the beginning of the year and this rate will be applied for the following year.

Prof. Bessner noted that Mercers receives a commission from Confederation Life. Is this credited against Mercer's fees? Mr. Dixon replied the commissions are fully accounted for in the Mercer expense invoices.

Prof. Bessner asked if Concordia could get a better deal by looking to other carriers? Mr. Dixon replied if Concordia left Confederation Life right now you would not have to pay the deficit back, therefore, there would be no interest charge on the deficit. You would still be looking at an increase of 6% to 7% in addition to the cost of going to market for a new carrier and re-enrollment of all employees. Confederation Life would have to transfer their claims dossiers to a new carrier to ensure that historical limitations are respected and all of this might impact on the cost of the plan.

Mr. Smart asked what controls are in place to ensure that expenses incurred outside Canada are not for elective treatment? Mr. Dixon replied that Confederation Life will not pay expenses until Quebec medicare has paid their liability.

The "Summary of Health Plan Provisions" and "Recent Amendments to Concordia's Health Program" as presented by Mr. Dixon is included as Appendix A of the minutes.

Mr. Dixon noted that if Concordia feels the plan should be improved and opened up the insurer will do anything you want them to do ..... for a price.

Mr. Smart asked if it was possible to review the impact of segregating the protection for psychologists and speech therapists from other paramedical provisions.

Mr. Dixon replied that expenses for psychologists and speech therapists should be treated differently than expenses for the services of chiropractors and osteopaths. One approach could be to cover totally the first "X" dollars of expense and then provide 50% of the next "Y" dollars. If you want changes in the plan, tell me what changes you are interested in and I will have them priced.

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Health Insurance - con't:

You might want to consider high amount medical pooling or a vision care plan. The plan can be designed to reimburse 100% of expenses incurred above a certain threshold to prevent significant out-of-pocket expenses on large claims. The additional cost to do so is not significant. Also , with the growing number of retired members we have asked the insurer to identify their claims separately. By February or March we should be able to review what premiums are appropriate for the retired group. The rates being charged for this group could be unfair.

Prof. Bessner indicated, perhaps you should go to Confederation Life and negotiate a package, taking into consideration the improvements we have discussed, and try to keep them as close to 115% as possible.

Mr. Smart noted that we should look at the impact of eliminating the current limitations for psychologist, speech therapists and psychotherapy.

Prof. Martin suggested that we also look at a change in the deductible.

Dental Care:

The Chairman noted that anything we consider with regard to additional benefits is going to increase costs to the University. In these tight economic times this is something we absolutely cannot do.

Mr. Smart suggested that we could offer the plan as an employee-pay-all plan. However, chances are we would not get sufficient enrollment and then we can forget it.

Mr. Dixon cautioned that no insurer would touch an optional employee-pay-all dental plan with a ten-foot pole. In addition, the single most valued benefit plan in a package is the Dental Care plan.

Prof. Martin added that we must look at it. Prof. Bessner noted that participants representatives must review the implications and report back to their constituencies.

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Mr. Dixon pointed out that high participation is essential to the long term success of any Dental Care plan. It is better to have a good basic plan rather than a poor comprehensive plan. In addition, you have to communicate to the potential participants exactly what the plan will and will not do.

Mr. Dixon reviewed the update on the Design and Implementation of a Plan of Dental Insurance for Concordia University. The text of the update is included as Appendix B of the minutes.

Prof. Martin noted that we cannot overlook the fact that pre-notification costs an additional 1% per month of pre-notification to employees.

The Chairman suggested that we get a consensus based on the presentation. What do we want to do about this plan? Should we take a vote as to what members of the committee want to do?

Prof. Ladd indicated that we should look at the Health Plan package first.

The Chairman noted that Mr. Dixon is to negotiate with the carrier for the proposed changes in the Health Plan. These will be reviewed at the next meeting. Does the committee agree to this?

The committee agreed to this approach to the Health Insurance plan.

The Chairman noted that we must decide if Dental Care is a saleable item. Prof. Martin do you see any problems with this.

Prof. Martin noted that we have learned today that it will be impossible to find an insurer to cover an employee-pay-all plan. Either we have to come up with a zero cost to the University or recognize the item in the next round of negotiations. Otherwise we must arrive at some other creative solution because the bottom line must be zero.

Other Business:

Prof. Martin noted there was one more item which must be brought to the attention of the Committee. Committee members are no doubt aware that I am to chair a 3 million dollar cut-back task force. The contributions to the pension plan will be cut back to the level required actuarially. We predict that

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Other Business - con't:

we will be able to come up with at least a 4½ million dollar surplus which should look after the past service exercize. The actuarial evaluation results will reflect the actual picture. We also looked at cutting back 2 million in contributions but I do not want to start cutting anything on current costs. If we have to go further it will be a one-shot thing.

If the down-turn becomes steeper who know what might happen then to offset lay-offs. Hopefully that will not come to pass.

Prof. Ladd proposed a motion to adjourn at 2:15 p.m. The motion was seconded by Mr. Smart.

Respectfully submitted,

M.D. Johnson, Secretary
Concordia Employee Benefits

Special thanks to recording secretary Ms. E. Gardham